

DECLASSIFIED  
 NO CHANGE IN CLASS. ☒  
 DECLASSIFIED  
 CLASS. CHANGED TO: TS *2091*  
 AUTHORITY: DATE: *10/12/91*  
 REVIEWER: 037189

DPS-5143  
 Copy 2 of 3

24 October 1958

MEMORANDUM FOR THE RECORD

25X1A 1. Contract No. [REDACTED] has the following target and ceiling price.

Target	[REDACTED]	25X1A
Ceiling	[REDACTED]	

2. The Contractor by letter dated 28 July 1958 (DPS-2983) proposed an increase in target of \$8650 and \$9,439.90 in the ceiling price or a contract total as follows:

Target	[REDACTED]	25X1A
Ceiling	[REDACTED]	

The Contracting Officer by letter dated 11 August 1958 (DPS-2983/A) advised the company in part as follows:

"In view of the imminent completion of this contract it is deemed advisable not to amend the contract price at this time but to give consideration to your request for adjustment in contract price at the time of negotiations for the final price."

25X1A

[REDACTED] approved the proposed target increase of \$8,650 in his memorandum dated 4 August 1958.

3. The Contractor by letter dated 2 September 1958 (DPS-3880) submitted his final statement of costs which is as follows:

	<u>Target Price</u>	<u>Ceiling Price</u>
Basic contract including Amend 1 and 2	[REDACTED]	[REDACTED]
Proposed Price	[REDACTED]	[REDACTED]
Increase per Contractor's letter 28 July 1958 (DPS-2983)	[REDACTED]	[REDACTED]
Total proposed hardware price	[REDACTED]	[REDACTED]
Los Angeles Co. and City of Pasadena Personal Property Taxes, assessed on book value of inventory as of March 1st ea year. Taxes paid under protest. Assessment 3-1-58		2,318.26

25X1A

Shipping Costs 466.04

Less: Est shipping costs  
included in basic  
contract.

400.00

66.04

25X1A

Total Proposed Price

The audit report dated 29 September 1958, #207 (DPS-4690) reads in part as follows:

Costs incurred through 31  
July 1958  
Estimate to complete  
Property tax paid under protest

25X1A

25X1A

This [redacted] represents the Contractor's claim of costs exclusive of shipping costs claimed in the amount of \$66.04. These costs subtracted from the Contractor's total proposed price of [redacted] leaves an amount of [redacted] representing their claimed amount for profit.

25X1A

25X1A

4. The auditor approves all of the [redacted] costs claimed except [redacted] which represents questioned G&A. Based on previous negotiations of the G&A account \$209 could be reinstated or a questioned net amount of [redacted]. This leaves an approved cost of [redacted]. This subtracted from the ceiling price leaves an amount of [redacted] for profit. If the Contractor could receive his normal [redacted] profit on approved costs the total contract price would be [redacted]. This cannot be allowed however due to the ceiling price of [redacted].

25X1A

25X1A

25X1A

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25X1A

5. The auditor commented as follows:

"It is recommended that final settlement of the Contractor's proposal be subject to the results of the audit of the residual inventory, currently being taken by the Contractor."

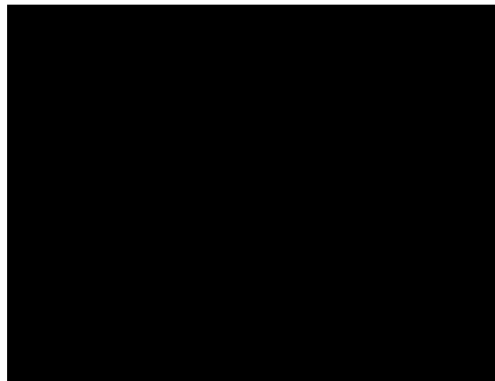
The total cost of material and purchased parts in performance of this contract amounted to \$3,845.10. There are several theories concerning ownership of residual material on a price redetermination contract. Air Force policy is that the residual belongs to the contractor. This policy is correct provided the Contractor's property system is approved. Due to the small amount of material purchases, the Contractor's certification "that the quantities procured hereunder are not in excess of the reasonable quantitative requirements of the contract" and the small amount of profit involved it is felt that settlement should be effected. Also, the amount questioned, if any, as the result of audit would in all probability not be of

25X1A such a magnitude as to effect settlement at less than the ceiling price.

25X1A

6. [REDACTED] approved settlement of this contract at [REDACTED] which is arrived at as follows:

Contractor's Costs  
Less questioned G&A  
Allowable Hardware costs  
Profit [REDACTED]  
Property tax  
Transportation  
Total



Contract Negotiator

CONCUR

25X1A

SIGNED

[REDACTED]  
Contracting Officer

25X1A

DPS/DCI [REDACTED] rp

Distribution:

- Orig. - [REDACTED]
- 2. - Finance
- 3. - Chrono (RI)

25X1A